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## DOCTORAL RESEARCH

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*Understanding Accounting in its Social and Historical Context: The Case of Cost Accounting in Britain 1914-1925* (London Graduate School of Business Studies, 1986) by Anne Loft.

The study of accounting history can be approached in a variety of ways and some of them are neatly synthesized in the introduction to Loft's book. A dominant choice has been to use a technical focus, concentrating on accounting mechanics and procedures. As a result, the evolution of practice seems to be shaped primarily by fate and necessity. Also popular, particularly in financial accounting and auditing, is research into the history of professional associations. These "official histories" tend, however, to be influenced by a priori assumptions that accountants have high social importance and that organizational form has contributed to their success. A third method, largely originated by Alfred Chandler, has been to relate the evolution of cost and management accounting to that of larger business enterprises. A disadvantage here is the relatively narrow perspective which emerges when the firm's environmental context is given little consideration.

In order to bring the contextual relationships of accounting-society into the picture, Loft has adopted the genealogical research perspective developed by Michel Foucault from concepts originated by Nietzsche. Essentially, the approach Foucault took in his book *Discipline and Punish*<sup>1</sup> consisted of documenting the social and historical conditions which nurtured the development of disciplinary institutions and their disciplinary techniques. Translated into the sphere of cost and management accounting, the research topic is restated as addressing, through genealogical historical methodology, "the conditions under which the accounting techniques for knowing (sic) the business organization emerged and spread" [p.16].

Loft recognized that the field of cost and management accounting is just one of the tools for achieving discipline in a

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<sup>1</sup>Foucault, M. *Discipline and Punish: The Birth of the Prison*, Harmondsworth: Penguin, 1977.

business organization as expressed in the Foucault model of surveillance and detailed control. So, she turned to Braverman's<sup>2</sup> study of modern management control as a building block for analyzing and highlighting accounting's particular contribution to the process. For general management purposes, replication on paper of all production activities of a physical nature provides a permanent form of knowledge about events for a particular time frame. The special function of cost and management accounting lies in creating specific and visible knowledge about organizational happenings by generating records which link up information about diverse objects and events through translation into a common monetary terminology.

This visible, financially expressed knowledge dealing with human activities must be, if we believe in the old adage, a form of power. Applying Foucault's analysis of knowledge and power relationships, Loft starts to develop lines of thought about ways in which this symbiosis applies to the management accounting domain:

Through cost and management accounting a regime of truth [Foucault, 1980, p. 133]<sup>3</sup> is formed about events. The very possibility of the highly specific knowledge produced by accounting tends to exclude attention from a whole range of other issues. Not given prominence through their accounting system, they can often be ignored as they do not enter into the sanctioned conceptions of the real and the true [p. 18].

In contradistinction to "official" history — which assigns a static role to the intellectual knowledge base — this study's objective was to bring a geneological focus to bear on the professionalism aspect of management accounting techniques during a particular period. The years from the beginning of the first world war in Britain in 1914 until 1925 were selected because they witnessed a rich gestation of certain technical, social, and organizational contextual elements. Cost accounting theory and practice came under intense scrutiny during the war, particularly in connection with government contract pricing. Cost accounting practitioners increased in number and gained public recognition. And, a professional association of

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<sup>2</sup>Braverman, H. *Labour and Monopoly Capital*, London: Monthly Review Press, 1974.

<sup>3</sup>Foucault, M. *Power/Knowledge*, Brighton: Harvester Press, 1980.

cost accountants, the Institute of Cost and Works Accountants, was born in 1919. So, all the factors were present, including a state of uncertainty and flux, to provide a setting for an “unofficial” history through a detailed examination of the active interplay between issues, institutions, occupational claims, knowledge, and techniques [p. 21]. Loft’s lengthy yet succinct introduction provides the reader with the necessary frame of reference for the second chapter which develops the theoretical base for the dissertation and consists of seven sections:

1. *Genealogical History*. Here Loft draws from various writings by Foucault about certain salient issues. First, to guard against falling into the error of looking at the past in terms of the present by considerable expansion of environmental focus. Historians have to understand “truths” in relation to the time when and the place where they are or were accepted as being true, and these truths are linked to the operation of power within each society.

2. *Bentham’s Panopticon: Visibility and Discipline*. This section looks into the emergence of disciplinary power in a product setting, usually through a pyramid supervisory structure, by adoption of the principle of control by visibility. This principle was the cornerstone of Jeremy Bentham’s plan for an inspection house where in a prison setting the activities of all inmates would be visible at all times to unseen guards. The objective of this architectural design was to induce desired behavior as is the visibility provided by management accounting records.

3. *Record-keeping and Discipline: Extending Visibility*. Bentham turned his attention to the problems of the poor after his ideas for prison construction came to naught. While keeping to the surveillance design for poor-houses, he added a new feature by requiring detailed bookkeeping as a management aid over the control of some half a million paupers. This scheme thus provided a model which interrelates architecture, record-keeping, and human behavior control.

4. *Cost and Management Accounting as a Disciplinary Technique*. Because of the use of monetary measures, cost and management accounting systems can serve a dual function of providing information for both decision making about production activities and for disciplining employees. “The cost records are an enabling device for power to act but at the same time the very fact of making the record, of producing knowledge, is an act of power” [p. 58].

5. *Time, Accounting and Discipline.* Measurement and use of time is a fundamental concept which pervades the cost and management accounting process. Much of the discipline in the workplace is maintained through timing devices such as mechanical clocks. While designed to achieve a "positive economy" [p. 59], these measures provide data bases for the events which the costing systems process. In the modern age, unlike the pre-industrial world, time like space has become a quantifiable continuum to be carefully carved up and valued in terms of money.

6. *Disciplinary Power and the Question of Human Agency.* An essential aspect of disciplinary power is the issue of who has power and whose interests do the disciplinary institutions further. As mention earlier, cost and management accounting is a powerful disciplinary technique because of the "truths" which it helps create. It is obviously critical to identify the sources of disciplinary technologies both in terms of who they are and who they represent.

7. *Professionalization.* Because the cost accounting which emerged in factories a century or so ago as a disciplinary technique was a human activity, it follows that interdependencies exist with respect to the appearance of specialized cost and management accountants. The more specialized these practitioners became the more authority they began to exert over what should and would be provided in the way of management information and how it should and could be interpreted. When practitioners banded into a professional organization, they became subject to its discipline. So, the association arose as a new source of power over existing practitioners, over potential members through qualifying certification, and over the knowledge base through definition of acceptable practice.

A third chapter, which is an historical introduction, is needed before Loft moves on to her genealogical analysis. This covers over a century and a half and traces the emergence of industry and the industrial revolution in Britain as well as the accounting profession and the cost accounting discipline up to the time of the first world war in 1914. Four chapters successively deal with the first world war, after the war: reconstruction and reality, the Institute of Cost and Works Accountants, and cost accounting and society. The eighth and concluding chapter is a summary.

First is a very useful review of Foucault's genealogical work: *Discipline and Punish*. Its three principle features are: looking at society as one in which the social order is main-

tained by disciplinary institutions and techniques; that both of them produce widely accepted "truths;" and that it is necessary to study the evolution of these techniques in minute detail in order to understand how this situation arose.

At the time of the outbreak of the first world war, cost accounting systems were still in a rudimentary stage, and the occupation of cost accountant had not yet clearly emerged. The war changed many things. Material and financial shortages brought the activities of the costing section of the Ministry of Munitions into prominence and the costing practices of government suppliers into the public spotlight. Chartered accountants devoted considerably more attention and energy to the field of cost and management accounting both in serving clients and in occupying important government positions.

When the war ended, two organizations of cost accounting practitioners were created: one for the chartered and incorporated accountants and the other for those in industry. Society was at the time, though in a state of turmoil, optimistic about cost accounting's potential for improving the combined lot of capital and labor interests. The two organizations reacted in different ways. The chartered institute maintained a conservative profile while the industry group realized its opportunities for professionalization while taking its cues from the chartered institute as a role model. The dissertation concludes with comments about the relationship between accounting and the state and puts forward ideas for future work.

Anne Loft has turned an interesting topic into a more than interesting one by introducing a new methodological approach to historical investigation in accounting. Her dissertation is packed with intriguing ideas about ways of looking at society and what goes on in it which could also be useful for those in other disciplines. She is also to be complimented on her writing style and the way that she brings her readers along with her. We hope to hear more from her.